

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Clarksville	County Ionia
Audit Date 2/28/05	Opinion Date 4/29/05	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Willis & Jurasek, P.C.			
Street Address 2545 Spring Arbor Road		City Jackson	State MI
		ZIP 49203	
Accountant Signature <i>Willis & Jurasek, P.C.</i>			Date <i>4/29/05</i>

Village of Clarksville

County of Ionia, Michigan

Financial Statements
And Independent Auditors' Report

Year Ended February 28, 2005

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Independent Auditors' Report

Village Council
Village of Clarksville
Clarksville, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Village of Clarksville as of and for the year ended February 28, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.


In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Village of Clarksville as of February 28, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of March 1, 2004.

The Village of Clarksville has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison information on page 15 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Village of Clarksville's basic financial statements. The individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Village of Clarksville. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.



Willis & Jurasek, P.C.,

April 29, 2005

Village of Clarksville
Statement of Net Assets
February 28, 2005

Governmental
Activities

Assets:

Cash and investments	\$ 242,368
Receivables:	
Taxes	5,514
Due from other governmental units	11,507
Capital assets less accumulated depreciation of \$23,779	<u>88,294</u>
Total assets	<u>347,683</u>

Liabilities:

Accounts payable	8,912
Accrued interest	2,244
Long-term liabilities:	
Bonds payable, due within one year	11,696
Bonds payable, due in more than one year	<u>80,542</u>
Total liabilities	<u>103,394</u>

Net Assets:

Investment in capital assets - net of related debt	(8,432)
Unrestricted	<u>252,721</u>
Total net assets	<u>\$ 244,289</u>

Village of Clarksville
Statement of Activities
Year Ended February 28, 2005

Functions/Programs	Program Revenues			Governmental
	Expenses	Charges for Services	Operating Grants/Contributions	Activities Net (Expense) Revenue and Change in Net Assets
Primary Government				
Governmental activities:				
Legislative	\$ 10,765	\$ -	\$ -	(10,765)
General government	38,872	275	-	(38,597)
Public works	43,128	-	32,787	(10,341)
Interest on long-term debt	<u>3,866</u>	<u>-</u>	<u>-</u>	<u>(3,866)</u>
Total governmental activities	<u>\$ 96,631</u>	<u>\$ 275</u>	<u>\$ 32,787</u>	<u>(63,569)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				51,753
State aid not restricted to specific purposes				34,277
Interest and investment earnings				8,540
Other				<u>1,365</u>
Total general revenues				95,935
Change in Net Assets				32,366
Net Assets - Beginning of Year				<u>211,923</u>
Net Assets - End of Year				<u>\$ 244,289</u>

See Notes to Financial Statements.

Village of Clarksville
Balance Sheet
Governmental Funds
February 28, 2005

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
<u>Assets</u>				
Cash	\$ 211,197	\$ 21,210	\$ 9,961	\$ 242,368
Receivables:				
Taxes receivable	5,514	-	-	5,514
Due from other governmental units	5,871	4,525	1,111	11,507
Total assets	<u>\$ 222,582</u>	<u>\$ 25,735</u>	<u>\$ 11,072</u>	<u>\$ 259,389</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 5,322	\$ 3,590	\$ -	\$ 8,912
Total liabilities	<u>5,322</u>	<u>3,590</u>	<u>-</u>	<u>8,912</u>
Fund Balances:				
Unreserved;undesignated	217,260	22,145	11,072	250,477
Total fund balances	<u>217,260</u>	<u>22,145</u>	<u>11,072</u>	<u>250,477</u>
Total liabilities and fund balances	<u>\$ 222,582</u>	<u>\$ 25,735</u>	<u>\$ 11,072</u>	<u>\$ 259,389</u>

Village of Clarksville

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets February 28, 2008

Total Fund Balances - Governmental Funds	\$	250,477
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Amounts reported for governmental activities in the Statement
of Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the funds.

The cost of the capital assets is

\$ 112,073

Accumulated depreciation is

(23,779)

88,294

Long-term liabilities not due and payable in the current period
and not reported in the funds:

Notes payable

(92,238)

Accrued interest

(2,244)

Total Net Assets - Governmental Activities

\$ 244,289

Village of Clarksville
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended February 28, 2005

	General Fund	Major Street Fund	Local Street Fund	Total
Revenues:				
Taxes	\$ 51,753	\$ -	\$ -	\$ 51,753
Licenses and permits	275	-	-	275
Intergovernmental	34,277	26,331	6,456	67,064
Interest	8,361	115	64	8,540
Other	<u>1,365</u>	<u>-</u>	<u>-</u>	<u>1,365</u>
Total revenues	<u>96,031</u>	<u>26,446</u>	<u>6,520</u>	<u>128,997</u>
Expenditures:				
Legislative	10,765	-	-	10,765
General government	42,031	-	-	42,031
Public works	21,953	11,419	9,756	43,128
Debt service:				
Principal and interest payments	<u>-</u>	<u>15,386</u>	<u>-</u>	<u>15,386</u>
Total expenditures	<u>74,749</u>	<u>26,805</u>	<u>9,756</u>	<u>111,310</u>
Changes in Fund Balances	21,282	(359)	(3,236)	17,687
Fund Balances - Beginning of Year	<u>195,978</u>	<u>22,504</u>	<u>14,308</u>	<u>232,790</u>
Fund Balances - End of Year	<u>217,260</u>	<u>\$ 22,145</u>	<u>\$ 11,072</u>	<u>\$ 250,477</u>

See Notes to Financial Statements.

Village of Clarksville
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Governmental Funds
Year Ended February 28, 2005

Net Change in Fund Balances - Total Governmental Funds	\$	17,687
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Amounts reported for governmental activities in the Statement
of Activities are different because:

Governmental funds report capital outlays as expenditures; in the
Statement of Activities, these costs are allocated over their estimated
useful lives as depreciation.

Depreciation expense	\$	(2,911)	
Capital outlay		6,070	3,159

Long-term debt proceeds are reported as financing sources in governmental
funds and thus contribute to the change in fund balance. In the Statement of Net
Assets, however, issuing debt increases long-term liabilities and does not
affect the Statement of Activities. Similarly, repayment of principal is an
expenditure in the governmental funds but reduces the liability in the
Statement of Net Assets.

Repayment of long-term debt		11,247
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Some expenses reported in the Statement of Activities do not require the use
of current financial resources and therefore are not reported as expenditures
in the funds.

Decrease in accrued interest payable on debt		273
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Change in Net Assets of Governmental Activities	\$	32,366
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Village of Clarksville

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Description of Village Operations

The Village of Clarksville was incorporated under the provisions of the Home Rule Village Act. The Village operates under a Council form of government and provides various services to its residents in many areas including community enrichment, and development and human services. The criteria established by GASB for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. Education services are provided through the local school system, which is a separate governmental entity and, therefore, is not represented in the financial statements included herein.

Adoption of New Accounting Standards

During the year ended February 28, 2005, the Village adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government*, issued June 1999; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, issued in 2001.

The following table shows beginning net assets restated for the effects of implementation of GASB No. 34:

Fund balance at February 29, 2004 – Governmental Funds	\$ 232,790
Long-term liabilities (restated)	(103,485)
Accrued interest	(2,517)
Net capital assets (restated)	<u>85,135</u>
Restated net assets – March 1, 2004	<u>\$ 211,923</u>

Reporting Entity

The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included. Based on the application of the criteria, the entity does not contain component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Village of Clarksville
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Fund-Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

General Fund – This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Street Fund – This fund is a special revenue fund. It accounts for revenues received primarily from the State of Michigan Department of Transportation and accounts for street activity relating to the major street functions of the Village.

Local Street Fund – This fund is a special revenue fund. It accounts for revenues received primarily from the State of Michigan Department of Transportation and accounts for street activity relating to the major street functions of the Village.

Village of Clarksville
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The Village reports its investments (when applicable) in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Village intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost. The Village had no investments at February 28, 2005.

State statutes authorize the Village to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchases agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

Receivables and Payables – All receivables are reported at their net value. They are reduced, where appropriate, by the estimated portion that is expected to be uncollectible.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets – Certain proceeds of the Enterprise Funds' revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Also, certain resources have been set aside to fund capital asset replacements.

Village of Clarksville
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	50
Equipment	5 - 10

Long-Term Obligations – In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Property Taxes - The government's property taxes are levied each July 1 on the taxable valuation of property located in the Village as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through August 31; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Ionia County.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. Real and personal property in the Village for 2004 had a taxable value of approximately \$5,011,028 representing 50% of estimated current market value. The government's general operating tax rate for fiscal year 2004-05 was 10.00 mills.

Village of Clarksville
Notes to Financial Statements

2. Stewardship, compliance and Accountability

The general and special revenue funds are the governmental fund types under formal budgetary control. The Village adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and annual appropriation act to implement the budget.

- 1) A general and special revenue budget is presented to Village Council in February, at which time hearings on the budget are scheduled.
- 2) The budget, and an appropriation resolution implementing it, is then adopted in March.
- 3) Formal budget integration is employed as a management control device during the year for all funds.
- 4) Budgets presented for the general and special revenue funds were prepared on the modified cash basis of accounting. Encumbrances are not recorded at year end.
- 5) Expenditures may not legally exceed activity (department) totals in the general fund. All other special revenue funds cannot legally exceed their respective fund totals.
- 6) The Governing Board has the authority to amend all budgets at the fund level. It further has the right to amend the General Fund at the activity level if it desires. Management has no authority to amend budgets at the fund level. Management can do transfers within funds at the departmental level without governing board approval but not between departments.
- 8) The budgetary information presented has not been amended during the year by an official action of the Village Council.
- 9) All budget appropriations lapse at the end of each funds' fiscal year.

3. Cash and Cash Equivalents

At year-end, the City's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities
Cash	\$ <u>242,368</u>

At year-end, the carrying amount of the Village's deposits was \$243,439 and the bank balance was \$243,511. Of the balances, \$200,000 was covered by federal depository insurance in the Village's name. The remaining balance is uninsured and uncollateralized.

4. Receivables

Receivables of the governmental activities of the primary Government at February 28, 2005, consisted of the following:

Property taxes	\$ 5,514
Other governmental units (primarily the State of Michigan)	<u>11,507</u>
Total	\$ <u>17,021</u>

Village of Clarksville
Notes to Financial Statements

5. Capital Assets

Capital assets activity for the year ended February 28, 2005 was as follows:

Primary Government	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
Total capital assets not being depreciated	4,000	-	-	4,000
Capital assets being depreciated:				
Buildings and improvements	92,376	6,070	-	98,446
Equipment and furniture	9,627	-	-	9,627
Total capital assets being depreciated	102,003	6,070	-	108,073
Accumulated depreciation:				
Buildings and improvements	19,138	1,522	-	20,660
Equipment and furniture	1,730	1,389	-	3,119
Total accumulated depreciation	20,868	2,911	-	23,779
Total capital assets being depreciated - net	82,135	3,159	-	84,249
Governmental activities capital assets - net	\$ 85,135	\$ 3,159	\$ -	\$ 88,294

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 2,911
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6. General Long-Term Debt

A summary of general long-term debt is as follows:

	<u>Balance 02/29/04</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 02/28/05</u>	<u>Due Within One Year</u>
Michigan Department of Transportation – Infrastructure loan; payable in annual payments of \$15,386; interest at 4%.	\$ 103,485	\$ 0	\$ 11,247	\$ 92,238	\$ 11,696

The following is a summary of principal maturities and interest requirements:

<u>Year ending February 28,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 11,696	\$ 3,690	\$ 15,386
2007	12,164	3,222	15,386
2008	12,651	2,735	15,386
2009	13,157	2,229	15,386
2010	13,683	1,703	15,386
2011	14,231	1,155	15,386
2012	14,656	586	15,242
Total	\$ 92,238	\$ 15,320	\$ 107,558

Village of Clarksville
Notes to Financial Statements

7. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended February 28, 2005, the City carried commercial insurance to cover all risks of losses. The Village has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

8. Sewage Disposal System

The Village of Clarksville, in conjunction with the Township of Boston and the Township of Campbell, constructed a sewer system. The system is designated as "Ionia County Sewage Disposal System (Clarksville-Morrison Lake)".

The Clarksville - Morrison Lake Sewer Authority was formed by the three governmental units in order to operate and maintain the sewage disposal system. The authority is acting in an agency capacity on behalf of these three governmental units.

Required Supplemental Information

Village of Clarksville
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget to Actual
General Fund and Major Special Revenue Funds
Year Ended February 28, 2005

	General Fund			Major Street Fund			Local Street Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues:									
Taxes	\$ 42,960	\$ 42,960	\$ 51,753	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	324	324	275	-	-	-	-	-	-
Intergovernmental	35,040	35,040	34,277	24,000	24,000	26,331	6,000	6,000	6,456
Interest	4,380	4,380	8,361	100	100	115	50	50	64
Other	1,344	1,344	1,365	-	-	-	-	-	-
Total revenues	<u>84,048</u>	<u>84,048</u>	<u>96,031</u>	<u>24,100</u>	<u>24,100</u>	<u>26,446</u>	<u>6,050</u>	<u>6,050</u>	<u>6,520</u>
Expenditures:									
Current operations:									
Legislative	9,750	9,750	10,765	-	-	-	-	-	-
General government	45,608	45,608	42,031	-	-	-	-	-	-
Public works	20,890	20,890	21,953	17,424	17,424	11,419	4,980	4,980	9,756
Debt service	-	-	-	15,396	15,396	15,386	-	-	-
Total expenditures	<u>76,248</u>	<u>76,248</u>	<u>74,749</u>	<u>32,820</u>	<u>32,820</u>	<u>26,805</u>	<u>4,980</u>	<u>4,980</u>	<u>9,756</u>
Net Changes in Fund Balances	7,800	7,800	21,282	(8,720)	(8,720)	(359)	1,070	1,070	(3,236)
Fund Balances - Beginning of Year	<u>195,978</u>	<u>195,978</u>	<u>195,978</u>	<u>22,504</u>	<u>22,504</u>	<u>22,504</u>	<u>14,308</u>	<u>14,308</u>	<u>14,308</u>
Fund Balances - End of Year	<u>\$ 203,778</u>	<u>\$ 203,778</u>	<u>\$ 217,260</u>	<u>\$ 13,784</u>	<u>\$ 13,784</u>	<u>\$ 22,145</u>	<u>\$ 15,378</u>	<u>\$ 15,378</u>	<u>\$ 11,072</u>

Other Supplemental Information

Village of Clarksville
General Fund
Balance Sheets
June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>Assets</u>		
Cash	\$ 211,197	\$ 188,388
Taxes receivable	5,514	4,929
Due from other governmental units	<u>5,871</u>	<u>5,741</u>
	<u>\$ 222,582</u>	<u>\$ 199,058</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	\$ <u>5,322</u>	\$ <u>3,080</u>
Fund Balance:		
Unreserved;undesignated	<u>217,260</u>	<u>195,978</u>
	<u>\$ 222,582</u>	<u>\$ 199,058</u>

Village of Clarksville
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
Year Ended February 28, 2005
(With Comparative Actual Amounts for the Year Ended February 29, 2004)

	2005			2004	
	Budget	Actual	Favorable (Unfavorable)	Actual	
Revenues:					
Taxes	\$ 42,960	\$ 51,753	\$ 8,793	\$ 42,671	
Licenses and permits	324	275	(49)	330	
Intergovernmental	35,040	34,277	(763)	40,639	
Interest and rental	4,380	8,361	3,981	3,379	
Other	1,344	1,365	21	4,969	
Total revenues	84,048	96,031	11,983	91,988	
Expenditures:					
Legislative:					
Village council	9,750	10,765	(1,015)	8,087	
General government:					
Executive	900	663	237	765	
Election	500	724	(224)	553	
Clerk	4,500	3,698	802	3,881	
Treasurer	4,500	3,953	547	3,401	
Village hall	11,976	11,489	487	9,777	
Other	23,232	21,504	1,728	26,615	
Total general government	45,608	42,031	3,577	44,992	
Public Works	20,890	21,953	(1,063)	12,265	
Total expenditures	76,248	74,749	1,499	65,344	
Revenues Over (Under) Expenditures	7,800	21,282	(13,482)	26,644	
Other Financing Sources (Uses)					
Operating transfers out	-	-	-	(12,000)	
Net Changes in Fund Balances	7,800	21,282	13,482	14,644	
Fund Balances - Beginning of Year	195,978	195,978	-	181,334	
Fund Balances - End of Year	<u>\$ 203,778</u>	<u>\$ 217,260</u>	<u>\$ 13,482</u>	<u>\$ 195,978</u>	

Village of Clarksville
Major Street Fund
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget to Actual
Year Ended February 28, 2005
(With Comparative Actual Amounts for the Year Ended February 29, 2004)

	<u>2005</u>			<u>2004</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues:				
State revenue	\$ 24,000	\$ 26,331	\$ 2,331	\$ 25,607
Interest	100	115	15	187
Total revenues	<u>24,100</u>	<u>26,446</u>	<u>2,346</u>	<u>25,794</u>
Expenditures:				
Maintenance:				
Contracted services	<u>7,800</u>	<u>5,929</u>	<u>1,871</u>	<u>9,837</u>
Total maintenance	<u>7,800</u>	<u>5,929</u>	<u>1,871</u>	<u>9,837</u>
Winter Maintenance:				
Contracted services	<u>9,624</u>	<u>5,490</u>	<u>4,134</u>	<u>9,055</u>
Total winter maintenance	<u>9,624</u>	<u>5,490</u>	<u>4,134</u>	<u>9,055</u>
Debt Service	<u>15,396</u>	<u>15,386</u>	<u>10</u>	<u>15,386</u>
Total expenditures	<u>32,820</u>	<u>26,805</u>	<u>6,015</u>	<u>34,278</u>
Net Changes in Fund Balances	<u>(8,720)</u>	<u>(359)</u>	<u>8,361</u>	<u>(8,484)</u>
Fund Balances - Beginning of Year	<u>22,504</u>	<u>22,504</u>	<u>-</u>	<u>30,988</u>
Fund Balances - End of Year	<u>\$ 13,784</u>	<u>\$ 22,145</u>	<u>\$ 8,361</u>	<u>\$ 22,504</u>

Village of Clarksville
Local Street Fund
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget to Actual
Year Ended February 28, 2005
(With Comparative Actual Amounts for the Year Ended February 29, 2004)

	<u>2005</u>			<u>2004</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues:				
State revenue	\$ 6,000	\$ 6,456	\$ 456	\$ 6,101
Interest	50	64	14	48
Total revenue	<u>6,050</u>	<u>6,520</u>	<u>470</u>	<u>6,149</u>
Expenditures:				
Maintenance:				
Supplies and materials	-	25	(25)	-
Contracted services	<u>4,980</u>	<u>9,731</u>	<u>(4,751)</u>	<u>8,841</u>
Total maintenance	<u>4,980</u>	<u>9,756</u>	<u>(4,776)</u>	<u>8,841</u>
Winter Maintenance:				
Contracted services	-	-	-	202
Total winter maintenance	-	-	-	<u>202</u>
Total expenditures	<u>4,980</u>	<u>9,756</u>	<u>(4,776)</u>	<u>9,043</u>
Revenues Over (Under) Expenditures	<u>1,070</u>	<u>(3,236)</u>	<u>4,306</u>	<u>(2,894)</u>
Other Financing Sources (Uses):				
Operating transfer in	-	-	-	12,000
Total other financial sources (uses)	-	-	-	<u>12,000</u>
Net Changes in Fund Balances	1,070	(3,236)	(4,306)	9,106
Fund Balances - Beginning of Year	<u>14,308</u>	<u>14,308</u>	-	<u>5,202</u>
Fund Balances - End of Year	<u>\$ 15,378</u>	<u>\$ 11,072</u>	<u>\$ (4,306)</u>	<u>\$ 14,308</u>

Village of Clarksville
Schedule of Indebtedness
February 28, 2005

**Michigan Department of Transportation
Infrastructure Loan**

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2/29/2004</u>	<u>2/28/2005</u>	<u>Interest Payable</u>
July 27, 1999	\$ 144,000					
		4.000%	7/21/2004	\$ 11,247		
		4.000%	7/21/2005	11,696	\$ 11,696	\$ 3,690
		4.000%	7/21/2006	12,164	12,164	3,222
		4.000%	7/21/2007	12,651	12,651	2,735
		4.000%	7/21/2008	13,157	13,157	2,229
		4.000%	7/21/2009	13,683	13,683	1,703
		4.000%	7/21/2010	14,231	14,231	1,155
		4.000%	7/21/2011	14,656	14,656	586
				<u>\$ 103,485</u>	<u>\$ 92,238</u>	<u>\$ 15,320</u>

April 29, 2005

To the Governing Body
of the Village of Clarksville

We have audited the financial statements of the Village of Clarksville for the year ended February 28, 2005, and have issued our report thereon dated April 29, 2004. In planning and performing our audit of the general-purpose financial statements of the Village, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

The Management of the Village is responsible for establishing and maintaining effective internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control. The objectives of internal control are to provide the Council with a reasonable but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with the Council's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of the inherent limitations in any system of internal control, errors and irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluations made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion of the system of internal accounting control of the Village taken as a whole. However, our study and evaluation disclosed no conditions that we believe to be a material weakness.

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement proposal, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the Village. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our Responsibility under Generally Accepted Auditing Standards (Continued)

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Village's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village are described in Note 1 to the financial statements. No new accounting policies were adopted and no other applications of existing policies were changed during the current year. We noted no transactions entered into by the Village during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no material estimates recorded in the current year.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Village's financial reporting process (that is, cause future financial statements to be materially misstated). There were no significant audit adjustments recorded at year-end.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Comment and Recommendations

Segregation of Duties:

Substantially all of the accounting and financial management functions of the Village are performed by two individuals, the Village Clerk and the Village Treasurer, both of which are elected positions. While the size and resources of the Village are limited in terms of providing adequate separation of duties, the Board should be mindful of this condition and, where possible, establish reasonable control procedures.

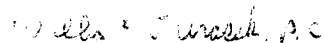
Audit Report Distribution

We have filed the appropriate copies of the audit reports to the State of Michigan. No further filing is required of you for this purpose.

This information is intended solely for the use of the Village Council and management of the Village and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the Village and its staff for the cooperation extended to us during our audit and would be happy to discuss any of the comments in detail if you so desire.

Sincerely,



Willis & Jurasek, P.C.